GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1640
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FUNDS THROUGH PN ROUTE
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Will the Minister of FINANCE be pleased to state:

(a) the details of funds received through P.N. route and funds withdrawn by the FIIs during the last three years, year-wise;

(b) whether the RBI and SEBI has ever verified the source of fund coming through P.N. route in the Indian share market?

(c) if so, the details in this regard; and

(d) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) As per information available with the Securities and Exchange Board of India (SEBI), the notional value of Participatory Notes (PNs), from September 2003 to November 2006, as a percentage of assets under management of Foreign Institutional Investors (FIIs) has fluctuated between 19% to 34%.

As per information provided by RBI, inflow and outflow of funds by FIIs during the last three financial years is as under:

(Amount in US$ million)

Year	Inflow	Outflow	Net
2004-05	39907.04	31628.04	8279.00
2005-06	64487.13	55627.13	8860.00
2006-07 (till February 23, 2007)	95692.38	89066.24	6626.14

(b) & (c): In 2004, the SEBI (FII) Regulations 1995 were amended to bring issuance of PNs by SEBI registered FIIs within the ambit of the FII regulations. The amendment to the regulations is intended to ensure that FIIs issuing PNs would do so only to regulated entities.

As per the extant regulatory structure, FIIs which are registered with SEBI and are issuing PNs are required to submit to SEBI a monthly report in a prescribed format. In the report, FIIs mainly report the following information:

Name of the subscribers to PNs
Constitution of subscribers to PNs
Jurisdiction of Subscribers
Nature of Indian Underlying security
Issue/Redemption/Outstanding

As per records, the FIIs issuing PNs are regularly submitting the reports in the prescribed format.

(d): Does not arise in view of (b) & (c) above .